



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

SEPTEMBER 13, 1995

OFFICE OF
WATER

MEMORANDUM

SUBJECT: Class II Financial Responsibility Documents

FROM: Françoise M. Brasier, Chief *Françoise M. Brasier*
Underground Injection Control Branch (4602)

TO: UIC Section Chiefs, Regions I - X

Attached, for your information and use, are reprinted hard copies as well as a diskette version of the financial responsibility documents used in such demonstrations for Class II wells. We were advised that many Regions no longer had legible copies of these documents, which were developed in the mid-1980's. I hope these prove helpful.

We have no current indication that anything in them needs to be changed, so they are literally retyped versions of the earlier documents. Please contact George Hoessel at (202) 260-7097, if you have any questions or issues on these documents.

Attachments



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Attachments

GH Hoessel
9/12/95

A U D I T O R ' S V E R I F I C A T I O N O F
C H I E F F I N A N C I A L O F F I C E R ' S L E T T E R

This letter is verification of the financial information and calculations in the chief financial officer's letter submitted to the Environmental Protection Agency.

Submitted to: The Regional Administrator
Environmental Protection Agency, Region _____

(Address of EPA Regional Office)

We have examined the financial officer's letter submitted by (legal name of owner or operating company) _____
to the Environmental Protection Agency, dated _____.

The financial information corresponds to the data contained in the firm's audited financial statements for the fiscal year ending _____. As a result of our examination, we verify that the financial information and calculations contained in this letter are correct and accurate.

(Name of accounting firm)

(Business address)

(Signature)

(Date)

Name:

(Title)

I R R E V O C A B L E S T A N D B Y L E T T E R O F C R E D I T

U.S. Environmental Protection Agency
Underground Injection Control
Financial Responsibility Requirement

To: Regional Administrator

Environmental Protection Agency, Region _____

(address of EPA Regional Office)

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No.
_____ in your favor, at the request and the account of

(legal name of owner or operator)

(business address of owner or operator)

up to the aggregate amount of _____
(dollar amount in words)

U.S. dollars (\$_____), available upon presentation of:

1. Your sight draft, bearing reference to this letter of credit No. _____, and
2. Your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of the Safe Drinking Water Act."

This letter of credit is effective as of (date) _____
and shall expire on (date at least 1 year later) _____,
but such expiration date shall be automatically extended for a period
of (at least one year) _____ on (date) _____
and each successive expiration date, unless, at least 120 days before
the current expiration date, we notify both you and owner's or

operator's name) _____ by certified mail that we have decided not to extend this letter of credit beyond the current expiration date. In the event you are so notified, any unused portion of the credit shall be available upon presentation of your sight draft for 120 days after the date of receipt by both you and (owner's or operator's name) _____, as shown on the signed return receipts.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us, and we shall deposit the amount of the draft directly into the standby trust fund of (owner's or operator's name) _____ in accordance with your instructions.

_____ (Signature)	_____ (Date)
_____ (Name)	_____ (Title)

This credit is subject to:

() the most recent edition of the Uniform Customs and Practice for Documentary Credits, published by the International Chamber of Commerce,

OR

() the Uniform Commercial Code,

AND

() the operations of this bank/institution are regulated and examined by a State or Federal Agency.

C H I E F F I N A N C I A L O F F I C E R ' S L E T T E R

U.S. Environmental Protection Agency
Underground Injection Control
Class II Injection Well Operators

This letter contains information submitted as evidence of financial responsibility for the Environmental Protection Agency's underground injection control requirements.

Submitted to: Regional Administrator
Environmental Protection Agency, Region _____

(Address of EPA Regional Office)

Submitted for: _____
(Legal name of owner or operator company)

(Business address of owner or operator)

Type of organization: _____
(Individual, joint venture, partnership,
or corporation)

Date of incorporation: _____

State of incorporation: _____

Submitted by: _____
(Name of Chief Financial Officer)

(Name of Firm)

(Business Address)

I hereby certify that the financial information contained on the following pages is correct and derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended _____.

(Signature of Financial Officer)

Date:

I. (Firm name) _____ is the owner or operator of Class II injection wells in the following states within EPA Region _____:

State names: _____

II. This firm guarantees the plugging and abandonment of injection wells owned or operated by the following subsidiaries:

Subsidiary name:	Subsidiary address:
_____	_____
_____	_____
_____	_____
_____	_____

III. This firm is () required () not required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

IV. The fiscal year of this firm ends on (month/day) _____. The financial information contained in this letter is derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended (date) _____.

The name and address of the accounting firm auditing these financial statements:

(Name of auditing firm)

(Address of auditing firm)

- V. The dollar amounts below are stated in () actual () thousands of dollars.

Financial Information

Balance Sheet Information:

- | | | |
|----|-----------------------------------|-------|
| 1. | Current Assets | _____ |
| 2. | Total Assets | _____ |
| 3. | Current Liabilities | _____ |
| 4. | Total Liabilities | _____ |
| 5. | Net Worth or Stockholder's Equity | _____ |

Income Statement Information

- | | | |
|----|-------------------------------------------|-------|
| 6. | Depreciation, Depletion, and Amortization | _____ |
| 7. | Net Income | _____ |

Calculations

- | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 8. | Total Liabilities less Current Liabilities
(Item 4 - Item 3) | _____ |
| 9. | Depreciation, Depletion, and Amortization plus
Net Income
(Item 6 + Item 7) | _____ |
| 10. | Current Assets less Current Liabilities
(Item 1 - Item 3;
indicate negative numbers with parentheses) | _____ |
| 11. | Current Liabilities divided by Net Worth
(Item 3 ÷ Item 5;
round to two decimal places) | _____ |
| 12. | Total Liabilities less Current Liabilities, all
divided by Net Worth
(Item 8 ÷ Item 5;
round to two decimal places) | _____ |
| 13. | Depreciation, Depletion, and Amortization plus
Net income, all divided by Total Liabilities
(Item 9 ÷ Item 4;
round to three decimal places) | _____ |
| 14. | Current Assets less Current Liabilities, all
divided by Total Assets
(Item 10 ÷ Item 2;
round to two decimal places, indicate negative
numbers with parentheses) | _____ |

VI. Based on the information in Part V, the company meets or does not meet the financial ratio requirements, as indicated.

	<u>Yes</u>	<u>No</u>
1. Current Liabilities + Net Worth less than 1.0 (Item V-11 less than 1.0)	_____	_____
2. Long-Term Liabilities + Net Worth less than 2.0 (Item V-12 less than 2.0)	_____	_____
3. Net Income greater than zero. (Item V-7 greater than 0)	_____	_____
4. Net Income + depreciation, depletion and amortization total + total liabilities greater than 0.10 (Item V-13 is greater than 0.10)	_____	_____
5. Working Capital + Total Assets greater than -0.10 (Item 14 greater than -0.10)	_____	_____

VII. This firm () has () has not received a rating by either Standard and Poor's or Moody's.

The current bond rating of most recent issuance of this firm _____

The name of the rating service _____

The date of issuance of bond _____

The name of maturity of bond _____

	<u>Yes</u>	<u>No</u>	<u>Not Available</u>
VIII. This firm's bond rating by Standard and Poor's is AAA, AA, A or BBB	_____	_____	_____
This firm's bond rating by Moody's is Aaa, A, or Baa	_____	_____	_____

U.S. Environmental Protection Agency
Underground Injection Control
Financial Responsibility Requirement

(c) "Facility" or "activity" means any underground injection well or any other facility or activity that is subject to regulation under the Underground Injection Control Program.

Section 2. Identification of Facilities and Cost Estimates. This Agreement pertains to the facilities and cost estimates identified in Schedule A (attached). (Schedule A lists, for each facility, the EPA identification number, name, address, and the current plugging and abandonment cost estimate, or portions thereof, for which financial assurance is demonstrated.)

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of EPA. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Section 4. Payment for Plugging and Abandonment. The Trustee shall make payments from the Fund as the EPA Regional Administrator shall direct, in writing, to provide for the payment of the costs of plugging and abandonment of the injection wells covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the EPA Regional Administrator from the Fund for plugging and abandonment expenditures in such amounts as the EPA Regional Administrator shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the EPA Regional Administrator specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims, ~~except that:~~

(a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 USC 80a-2.1(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or State government; and

(c) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustees. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee, shall be paid from the Fund.

Section 10. Annual Valuation. Commencing after initial funding of the trust, the Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the appropriate EPA Regional Administrator a statement confirming the value of the Trust. Any securities in the Fund shall be valued at the market value as of no more than 60 days prior to the anniversary date of establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the EPA Regional Administrator shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee, may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instruction by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A, or such other designees as the Grantor may designate by amendment to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the EPA Regional Administrator to the Trustee shall be in writing, signed by the EPA Regional Administrators of the Regions in which the facilities are located, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or EPA hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the appropriate EPA Regional Administrator, or by the Trustee and the appropriate EPA Regional Administrator if the Grantor ceases to exist.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or by the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of _____

Section 19. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

IN WITNESS WHEREOF, the parties below have caused this Agreement to be executed by their respective officers duly authorized and the corporate seals to be hereunto affixed and attested as of the date first above written.

By: _____
 (Signature of Grantor)

 (Title)

Attest: _____

 (Title)

(SEAL)

By: _____
 (Signature of Trustee)

 (Title)

Attest: _____

 (Title)

(SEAL)

() This bank/institution has the authority to act as a trustee and its trust activities are examined and regulated by a State or Federal agency.

CERTIFICATE OF ACKNOWLEDGMENT
FOR
TRUST FUND AGREEMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me
personally came _____ to me known, who,
(owner or operator)

being by me duly sworn, did depose and say that she/he resides
at _____,
(address)

that she/he is _____ of _____
_____, the corporation
(corporation)

described in and which executed the above instrument; that she/he
knows the seal of said corporation; that the seal affixed to such
instrument is such corporate seal; that it was so affixed by order
of the Board of Directors of said corporation, and that she/he
signed her/his name thereto by like order.

(Notary Public)

(Seal)

S C H E D U L E A

Identification of Facilities and Cost Estimates

Schedule A is referenced in the trust agreement dated _____

by and between _____,
(name of owner or operator)

the "Grantor," and _____
(name of trustee)

the "Trustee."

EPA identification number _____

Name of facility _____

Address of facility _____

Current plugging and
abandonment cost estimate _____

Date of estimate _____

EPA identification number _____

Name of facility _____

Address of facility _____

Current plugging and
abandonment cost estimate _____

Date of estimate _____

S U R E T Y P E R F O R M A N C E B O N D

U.S. Environmental Protection Agency
Underground Injection Control
Financial Responsibility Requirement

BOND COVERS THE PLUGGING OF INJECTION WELLS

Date bond executed: _____

Effective date: _____

Principal: _____
(Legal name of owner or operator)

(Business address of owner or operator)

Type of organization: _____
(Individual, joint venture,
partnership, or corporation)

State of incorporation: _____

Surety(is): _____
(Name)

(Business Address)

EPA identification number, name, address, and plugging and abandonment amount(s) for each injection well guaranteed by this bond. (Indicate plugging and abandonment amounts for each well. Attach separate list if necessary.)

<u>Injection Well Information</u>	<u>Plugging & Abandonment Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____

Total penal sum of bond: \$ _____

Surety's bond number: _____

KNOW ALL PERSONS BY THESE PRESENTS, That we, the Principal and Surety(ies) hereto are firmly bound to the U.S. Environmental Protection Agency (hereinafter called EPA), in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that, were the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

WHEREAS said Principal is required, under the Underground Injection Control Regulations, as amended, to have a permit or comply with provisions to operate under rule for each injection well identified above, and

WHEREAS said Principal is required to provide financial assurance for plugging and abandonment as a condition of the permit or approval to operate under rule, and

WHEREAS said Principal shall establish a standby trust fund as is required when a surety bond is used to provide such financial assurance;

NOW, THEREFORE, the conditions of this obligation are such that if the Principal shall faithfully perform plugging and abandonment, whenever required to do so, of each injection well for which this bond guarantees plugging and abandonment, in accordance with the plugging and abandonment plan and other requirements of the permit or provisions for operating under rule and other requirements of the permit or provisions for operating under rule as may be amended, pursuant to all applicable laws, statutes, rules and regulations, as such laws, statutes, rules, and regulations may be amended,

Or, if the Principal shall provide alternate financial assurance as specified in Subpart F of 40 CFR 144, and obtain the EPA Regional Administrator's written approval of such assurance, within 90 days after the date of notice of cancellation is received by both the Principal and the EPA Regional Administrator(s) from the Surety(ies), then this obligation shall be null and void. Otherwise it is to remain in full force and effect.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above.

Upon notification by an EPA Regional Administrator that the Principal has been found in violation of the plugging and abandonment requirements of 40 CFR 144, for an injection well which this bond guarantees performance of plugging and abandonment, the Surety(ies) shall either pay the plugging and abandonment or guarantee with the Principal and its consent, plan and other permit requirements approved by the Regional Administrator.

and other requirements or place the amount for plugging and abandonment into standby trust fund as directed by the EPA Regional Administrator.

Upon notification by an EPA Regional Administrator that the Principal has failed to provide alternate financial assurance as specified in Subpart F of 40 CFR 144, and obtain written approval of such assurance from the EPA Regional Administrator(s) during the 90 days following receipt by both the Principal and the EPA Regional Administrator(s) of a notice of cancellation of the bond, the Surety(ies) shall place funds in the amount guaranteed for the injection well(s) into the standby trust fund as directed by the EPA Regional Administrator.

The Surety(ies) hereby waive(s) notification of amendments to plugging and abandonment plans, permits, applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(is) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, but in no event shall the obligation of the Surety(ies) here under exceed the amount of said penal sum.

The Surety(ies) may cancel the bond by sending notice by certified mail to the owner or operator and to the EPA Regional Administrator(s) for the Region(s) in which the injection well(s) is (are) located, provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by both the Principal and the EPA Regional Administrator(s), as evidenced by the return receipts.

The Principal may terminate this bond by sending written notice to the Surety(ies); provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the EPA Regional Administrator(s) of the EPA Region(s) in which the bonded injection well(s) is (are) located.

(The following paragraph is an optional rider that may be included but is not required.)

Principal and Surety(ies) hereby agree to adjust the penal sum of the bond yearly so that it guarantees a new plugging and abandonment amount, provided that the penal sum does not increase by more than 20% in any one year, and no decrease in the penal sum takes place without the written permission of the EPA Regional Administrator(s).

IN WITNESS WHEREOF, The Principal and Surety (s) have executed this Performance Bond and have affixed their seals on the date set forth above.

The persons whose signature appear below hereby certify that they are authorized to execute this surety bond on behalf of the Principal and Surety(ies) and that the wording on this surety bond is identical to the wording specified in 40 CFR 144.70(c) as such regulation was constituted on the date this bond was executed.

PRINCIPAL:

(Name)

(Address)

(Signature(s))

(Name(s))

(Title(s))

Corporate Seal

State of Incorporation

\$ _____
Bond Premium

CORPORATE SURETY(IES):

(Name)

(Address)

(Signature(s))

(Name(s))

(Title(s))

Corporate Seal

State of Incorporation

\$ _____
Liability Limit

(For every co-surety, provide signature(s), corporate seal, and other information in the same manner as for Surety above.)

TRUST AGREEMENT

U.S. Environmental Protection Agency
Underground Injection Control
Financial Responsibility Requirement

TRUST AGREEMENT, the "Agreement," entered into as of _____
(date)
by and between _____, a
(name of owner or operator)

_____, the
(name of state) (corporation, partnership
association, or proprietorship)

"Grantor," and _____,
(name of corporate trustee) (incorporated in the
State of _____ or a
national bank)
the "Trustee."

WHEREAS, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator of an injection well shall provide assurance that funds will be available when needed for plugging and abandonment of the injection well,

WHEREAS, the Grantor has elected to establish a trust to provide all or part of such financial assurance for the facility(ies) identified herein, and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee,

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

a. The term "Grantor" means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.

b. The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

(c) "Facility" or "activity" means any underground injection well or any facility or activity that is subject to regulation under the Underground Injection Control Program.

Section 2. Identification of Facilities and Cost Estimates.

This Agreement pertains to the facilities and cost estimates identified in Schedule A (attached). (Schedule A lists, for each facility, the EPA identification number, name, address, and the current plugging and abandonment cost estimate, or portions thereof, for which financial assurance is demonstrated.)

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of EPA. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. The fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee is referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by EPA.

Section 4. Payment for Plugging and Abandonment. The Trustee shall make payments from the Fund as the EPA Regional Administrator shall direct, in writing, to provide for the payment of the costs of plugging and abandonment of the injection wells covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the EPA Regional Administrator from the Fund for plugging and abandonment expenditures in such amounts as the EPA Regional Administrator shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the EPA Regional Administrator specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash or securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested in a prudent manner, with at least a medium grade of securities.

income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time,, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims, except that:

(i) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 USC 80a-2.(a), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal or State government; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustees. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by the Fund in its or private name. No portion

dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal or State government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee, shall be paid from the Fund.

Section 10. Annual Valuation. The Trustee shall annually, at least 30 days prior to the anniversary date of establishment of the Fund, furnish to the Grantor and to the appropriate EPA Regional Administrator a statement confirming the value of the Trust. Any securities in the Fund shall be valued at the market value as of no more than 60 days prior to the anniversary date of establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 60 days after the statement has been furnished to the Grantor and the EPA Regional Administrator shall constitute a conclusively binding consent by the Grantor, leaving the Trust's value undisturbed;

claim or liability against the Trustee with respect to matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any questions arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 13. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the EPA Regional Administrator, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instruction by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Exhibit A, or such other designees as the Grantor may designate by amendment to Exhibit A. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by the EPA Regional Administrator to the Trustee shall be in writing, signed by the EPA Regional Administrators of the Regions in which the facilities are located, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to advise, in the absence of a written instruction, the Administrator that it is not acting

a change or a termination of the authority of any person to act on behalf of the Grantor or EPA hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or EPA, except as provided for herein.

Section 15. Notice of Nonpayment. The Trustee shall notify the Grantor and the appropriate EPA Regional Administrator, by certified mail within 10 days following the expiration of the 30-day period after the anniversary of the establishment of the Trust, if no payment is received from the Grantor during that period. After the pay-in period is completed, the Trustee shall not be required to send a notice of nonpayment.

Section 16. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the appropriate EPA Regional Administrator, or by the Trustee and the appropriate EPA Regional Administrator if the Grantor ceases to exist.

Section 17. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 16, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the EPA Regional Administrator, or by the Trustee and the EPA Regional Administrator if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 18. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or the EPA Regional Administrator issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or by the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 19. Governing Law. This Agreement shall be administered, construed, and enforced according to the laws of the State of
the State of
the State of

Section 20. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each Section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

IN WITNESS WHEREOF, the parties below have caused this Agreement to be executed by their respective officers duly authorized and the corporate seals to be hereunto affixed and attested as of the date first above written.

By: _____
(Signature of Grantor)

(Title)

Attest: _____

(Title)

(SEAL)

By: _____
(Signature of Trustee)

(Title)

Attest: _____

(Title)

(SEAL)

() This bank-institution has the authority to act as a trustee and its trust activities are examined and regulated by a State or Federal agency.

CERTIFICATE OF ACKNOWLEDGMENT
FOR
TRUST FUND AGREEMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me
personally came _____ to me known, who,
(owner or operator)

being by me duly sworn, did depose and say that she/he resides
at _____,
(address)

that she/he is _____ of _____
(title)

_____, the corporation
(corporation)

described in and which executed the above instrument; that she/he
knows the seal of said corporation; that the seal affixed to such
instrument in such corporate seal; that it was so affixed by order
of the Board of Directors of said corporation, and that she/he
signed her/his name thereto by like order.

(Notary Public)

Faint

S C H E D U L E A

Identification of Facilities and Cost Estimates

Schedule A is referenced in the trust agreement dated _____
by and between _____,
(name of owner or operator)
the "Grantor," and _____
(name of trustee)
the "Trustee."

EPA identification number	
Name of facility	
Address of facility	
Current plugging and abandonment cost estimate	
Date of estimate	

EPA identification number	_____
Name of facility	_____
Address of facility	_____ _____
Current plugging and abandonment cost estimate	_____
Date of estimate	_____